



Financial Statements
June 30, 2010

South Dakota Soybean Research & Promotion Council

South Dakota Soybean Research & Promotion Council

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June 30, 2010

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Honorable M. Michael Rounds
Governor of South Dakota

and

The Board of Directors
South Dakota Soybean Research & Promotion Council
Sioux Falls, South Dakota

We have audited the accompanying financial statements of the South Dakota Soybean Research & Promotion Council as of June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note 1, the financial statements present only the South Dakota Soybean Research & Promotion Council and do not purport to, and do not, present fairly the financial position of the State of South Dakota, as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund net assets arising from cash transactions of the South Dakota Soybean Research & Promotion Council as of June 30, 2010, and the revenues it received and expenditures it paid and changes in fund net assets for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010, on our consideration of the South Dakota Soybean Research & Promotion Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The South Dakota Soybean Research & Promotion Council has not presented Management's Discussion and Analysis (MD&A) or certain budgetary information as required by the Governmental Accounting Standards Board that has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The Listing of Council Officials, page 17, is presented for purposes of supplementary information and is not a required part of the basic financial statements. The listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In connection with our audit, and except as discussed in the Schedule of Findings and Responses as Finding 2010-3, nothing came to our attention that caused us to believe that the South Dakota Soybean Research & Promotion Council failed to comply with the terms, insofar as they relate to the accounting matters of the Soybean Promotion, Research and Consumer Information Act of 1990 (the "Act") and the Soybean Promotion and Research Order (the "Order") relative to the use of funds collected by the State Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the State Board.

In connection with our audit, nothing came to our attention that caused us to believe the South Dakota Soybean Research & Promotion Council failed to comply with terms insofar as they relate to the accounting matters of the Act and the Order relative to the investment of funds collected by the State Board and with provisions of Section 1220.211(j). However, our audit was not directed primarily toward obtaining knowledge of such noncompliance in the use and investment of funds.

This report is intended solely for the information and use of the board of directors and management of the South Dakota Soybean Research & Promotion Council, the United Soybean Board and the United States Department of Agriculture, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
September 29, 2010

South Dakota Soybean Research & Promotion Council
Statement of Assets, Liabilities and Fund Net Assets Arising from Cash Transactions
June 30, 2010

	Soybean Check-off Fund
Assets	
Cash and cash equivalents	
Cash in checking	\$ 3,993
Investment in State Treasury Cash Management Pool	<u>7,577,088</u>
Total Assets	<u>\$ 7,581,081</u>
 Fund Net Assets	
Unreserved fund net assets	
Board designated	\$ 800,000
Undesignated	<u>6,781,081</u>
Total Fund Net Assets	<u>\$ 7,581,081</u>

South Dakota Soybean Research & Promotion Council
Statement of Receipts, Expenditures, and Changes in Fund Net Assets Arising from Cash Transactions – Budget
and Actual
Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Receipts			
Assessment revenue collected			
Collected from first purchasers	\$ 3,250,000	\$ 7,688,563	\$ 4,438,563
Collected from other QSSBs	320,000	784,202	464,202
Collected from late fees	-	1,398	1,398
Total assessments collected	3,570,000	8,474,163	4,904,163
Less			
Assessment receipts remitted to USB	1,650,000	4,261,652	(2,611,652)
Assessment receipts remitted to other QSSBs	50,000	76,151	(26,151)
Net assessment receipts collected	1,870,000	4,136,360	2,266,360
Grants			
USB BioDiesel grants	-	10,766	10,766
USB Animal Ag grant	-	69,165	69,165
USB Communications grants	-	22,605	22,605
Total grants	-	102,536	102,536
Other			
Interest	150,000	225,674	75,674
Miscellaneous	-	10,800	10,800
Total other	150,000	236,474	86,474
Total receipts	2,020,000	4,475,370	2,455,370
Expenditures			
Programs			
Promotion	3,249,130	1,072,956	2,176,174
Research	1,752,940	479,325	1,273,615
Consumer information	180,336	146,099	34,237
Producer communications	684,067	342,167	341,900
Total programs	5,866,473	2,040,547	3,825,926
Administration			
Program operations	107,215	149,119	(41,904)
Equipment	22,000	38,543	(16,543)
Total administration	129,215	187,662	(58,447)
Total expenditures	5,995,688	2,228,209	3,767,479
Excess of Receipts over Expenditures	(3,975,688)	2,247,161	6,222,849
Fund Net Assets, beginning of year	5,333,920	5,333,920	-
Fund Net Assets, end of year	\$ 1,358,232	\$ 7,581,081	\$ 6,222,849

Note 1 - Summary of Significant Accounting Policies**Reporting Entity**

The South Dakota Soybean Research & Promotion Council (the Council) is certified as a Qualified State Soybean Board as defined in section 1220.228 of the Soybean Promotion and Research Order in the Federal Register (volume 56, 131) and is a state agency established under and governed by the laws of the State of South Dakota (State). The Council administers programs and activities that are subject to the 1990 Federal legislation titled Soybean Promotion, Research and Consumer Information Act (the Act). The Act was effective September 1, 1991. The Council is exempt from state and federal income taxes.

In accordance with Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the Council should include all component units over which the Board exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on the organization, or (3) the potential for the organization to provide specific benefits to, or impose specific burdens on the Council. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement 14, further defined reporting units as a legally separate tax exempt affiliated organization that meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Council or its constituents, and
- The Council or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the Council is entitled to, or can otherwise access, are significant to the Council.

Based upon criteria set forth in GASB No. 14 and No. 39, no organizations were determined to be part of the reporting entity.

Fund Accounting

The accounts of the Council are organized on the basis of a fund which is considered to be a separate accounting entity. The operations of the fund are accounted for with a self-balancing set of accounts that comprise its assets, fund net assets, receipts and expenditures. Government resources are allocated to and accounted for in the fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund Type

Special revenue funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Soybean Check-Off Fund is a special revenue fund maintained for the collection and disbursement of soybean check-off assessments.

South Dakota Soybean Research & Promotion Council

Notes to Financial Statements

June 30, 2010

Basis of Accounting

The Council's accounts are maintained on the cash basis, and the statements of receipts, expenditures, and changes in fund net assets arising from cash transaction – actual and budget and the statement of assets, liabilities, and fund net assets arising from cash transactions reflect only cash received and disbursed.

Cash and Cash Equivalents

Cash and cash equivalents includes demand deposits and a participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at cost.

Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the SDIC's audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501. Funds on deposit with the State Treasury are invested by the State Investment Officer pursuant to SDCL 4-5-23 with the Council getting its proportionate share of interest income under SDCL 4-5-30. The Council did not have privately held investments as June 30, 2010.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Council does not have a deposit policy for custodial credit risk. The bank account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the Council's bank balance exceeded this limit. As of June 30, 2010 the checking account deposits were fully insured.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Subsequent Events

The Council has evaluated subsequent events through September 29, 2010, the date which the financial statements were available to be issued.

Note 2 - Check-off Fees

The Council, pursuant to the Act, has imposed a one-half of one percent of the net market price of soybeans grown in the State or sold to a first purchaser in the State. The assessments are deducted from the purchase price of the soybeans by the first purchaser and remitted to the Council within thirty days of the end of each calendar quarter. One half of the collected assessments must be remitted to the United Soybean Board (USB) by the last day of the month following the quarter in which the assessment was remitted to the Council.

Note 3 - South Dakota Soybean Association

The Council contracts on a yearly basis with the South Dakota Soybean Association (the Association) to carry out programs designed to benefit the soybean industry. These programs include providing promotional, consumer, producer, and industry information to various entities and organizations worldwide. Additionally, the Council contracts on a yearly basis with the Association to share employees, including the Executive Director; office space; and certain overhead expenses.

For the year ended June 30, 2010, the total costs paid by the Council to the Association were \$234,739, and the total costs paid by the Association to the Council were \$17,383.

Note 4 - Description of Financial Activity

The major account titles and descriptions that are used by the Council are as follows:

Receipts

Collected from first purchasers – assessments collected from South Dakota based first purchasers of soybeans either sold or forfeited in lieu of loan payments

Collected from other QSSBs – assessments collected from other Qualified State Soybean Boards (QSSB) as a result of South Dakota based producers selling soybeans to an out-of-state purchaser

Assessment receipts remitted to USB – remittances to the USB are half of the total assessment receipts collected net of refunds, remittances to other QSSBs, and allowable collection costs

Assessment receipts remitted to other QSSBs – remittances of assessments collected from South Dakota based first purchasers to the QSSB entitled to the receipt based on the producer's location

Interest receipts – income derived from interest collected on the cash balance of the Council's deposits

Miscellaneous other receipts – receipts from sources not covered by the other major categories

Disbursements

Promotion – any action, including ads, technical assistance, or trade serving, to enhance the desirability of soybeans in international and domestic markets

Research – any type of study to advance the image, desirability, marketability, production, product development, quality, or functional or nutritional value of soybeans

Consumer information – information that will assist consumers in making purchase decisions about buying and using soybeans and soybean products

Producer communications – reporting to soybean producers of the Council's activities and an accounting for funds received and expended

South Dakota Soybean Research & Promotion Council

Notes to Financial Statements

June 30, 2010

Program operations – expenditures associated with the cost to conduct the activities of the Council and the Council's Board of Directors and expenses directly related to the activities conducted by the South Dakota Department of Agriculture for concentrated management services of fee collection, fiscal and personnel services, and data processing services

Equipment – expenditures associated with the cost of purchasing equipment necessary to conduct the program operations of the Council

Note 5 - Statement of Expenditures Paid – Budget and Actual (Budgetary Basis)

The Council provides an informational budget to the State approximately two years in advance of the start of the fiscal year. The results of actual operations compared to the informational budget for the year ending June 30, 2010, are as follows:

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Contractual services, including amounts remitted to the USB and other QSSBs recorded as a reduction of revenue	\$ 3,004,900	\$ 4,462,409	\$ (1,457,509)
Grants and subsidies	3,123,700	1,890,661	1,233,039
Employee salaries and benefits	223,719	195,158	28,561
Supplies and materials	<u>27,343</u>	<u>17,784</u>	<u>9,559</u>
Expenditures prior to remittance payments	<u>\$ 6,379,662</u>	6,566,012	<u>\$ (186,350)</u>
Less amounts remitted to the USB and other QSSBs recorded as a reduction of revenue		<u>(4,337,803)</u>	
Total expenditures		<u>\$ 2,228,209</u>	

Prior to the start of the fiscal year, the Council reviews the informational budget and makes changes as needed based on the current operational environment. The updated budget is approved by the Board and submitted to the USB and the United States Department of Agriculture's Agriculture Marketing Service. The budget shown on the statement of receipts, expenditures, and changes in fund net assets arising from cash transactions – budget and actual in the accompanying financial statements differs from the informational budget shown above as it reflects the changes made to the informational budget prior to the start of the fiscal year.

South Dakota Soybean Research & Promotion Council
Notes to Financial Statements
June 30, 2010

Note 6 - Operating Leases

The Council has entered into leases for office space and office equipment under long-term operating leases. Under the office space lease arrangements, the Council also pays all utilities and its share of the property taxes, insurance, maintenance and expenses related to the leased property.

The lease agreements expire at varying times from 2012 to 2013. Operating lease expense for the year ended June 30, 2010, was \$38,408. The estimated future minimum lease payments at June 30, 2010, are summarized as follows:

<u>Year Ending June 30,</u>	<u>Office Space</u>	<u>Office Equipment</u>
2011	\$ 29,106	\$ 7,337
2012	29,106	4,777
2013	29,106	370

Note 7 - Risk Management

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council carries commercial insurance for all significant risks of loss. There have been no claims resulting from these risks in any of the past three years.

Note 8 - Future Commitments

The Council has committed approximately \$1,421,000 for funding of projects that were uncompleted as of June 30, 2010. These projects relate to soybean research, promotion, and other various activities aimed at enhancing consumer and producer awareness of soybeans and soybean related issues. The Council has paid approximately \$578,000 towards these projects as of June 30, 2010, and expects to pay the remaining \$843,000 during fiscal year 2011.

In addition, the Council has committed to provide approximately \$1,727,000 in funding for a three-year research project with a State university. The estimated future payments related to the project are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 1,127,000
2012	350,000
2013	250,000

Note 9 - Retirement Plan

The Council participates in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer defined benefit pension plan established to provide retirement, disability, and survivor benefits for employees of the State and its political subdivisions. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Employees are required by state statute to contribute six percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The right to receive retirement benefits vests after three years of credited service. The Council's contributions to the SDRS for the years ended June 30, 2010, 2009, and 2008 were \$9,069, \$6,744, and \$8,197, respectively, equal to the required contributions for each year.

Note 10 - Accumulated Unpaid Vacation and Sick Leave

Annual leave is earned on a biweekly basis by employees at a rate based on their years of service. Upon termination employees are entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of approximately 4.67 hours per biweekly payroll period. Employees who have been continuously employed by the State for at least seven years prior to the date of their retirement, voluntary resignation, or death will receive payment equal to one-fourth of their accumulated unused sick leave, not to exceed 480 hours.

As of June 30, 2010, balances for accrued vacation and sick leave were \$11,883 and \$6,210, respectively. Because the Council's accounts are maintained on the cash basis of accounting, these liabilities are not reflected in the accompanying financial statements.



CPAs & BUSINESS ADVISORS

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based
on the Audit of Financial Statements Performed in Accordance with Government Auditing
Standards**

The Honorable M. Michael Rounds
Governor of South Dakota

and

The Board of Directors
South Dakota Soybean Research & Promotion Council
Sioux Falls, South Dakota

We have audited the financial statements of the South Dakota Soybean Research & Promotion Council (the Council) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as Findings 2010-1 and 2010-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-3.

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Council's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of the board of directors, management, the United Soybean Board, and the South Dakota Department of Agriculture. This report is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
September 29, 2010

Finding 2010-1 - Preparation of Full Disclosure Financial Statements

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Condition: The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause: The Council has limited staff. They cannot justify having an individual on staff with the proper accounting skills necessary for preparing the draft financial statements and accompanying notes to the financial statements.

Effect: Inadequate controls over financial reporting of the Council could result in the likelihood that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council as well as changes in these requirements.

Management's Response: Since it is not cost-effective for an organization of our size to have an individual on staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our financial statements as part of the annual audit. We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements.

Finding 2010-2 - Review of Significant Reconciliations and Oversight of Transactions

Criteria: Proper controls over financial reporting include adequate oversight and approval of transactions and review of significant reconciliations, including documentation of the performance of these processes.

Condition: The Council does not have a formal policy requiring approval and review of monthly reconciliations of the funds held on deposit with the State of South Dakota (the State). In addition, the Council does not have a policy requiring periodic reviews of transactions underlying wire transfer requests which move check off funds from the State to the general checking account.

Cause: Oversight, approval, and review processes are not performed as a part of a formally documented process.

Effect: Inadequate oversight over financial transactions of the Council could adversely affect the Council's ability to detect and correct misstatements that could be material to the financial statements on a timely basis.

South Dakota Soybean Research & Promotion Council

Schedule of Findings and Responses

Year Ended June 30, 2010

Recommendation: Oversight, approval, and review processes are key controls that can help to mitigate risks associated with errors in financial reporting and recording transactions. The Council should develop procedures to ensure that oversight of transactions and review of significant reconciliations, including documentation of the performance of oversight, approval, and review processes are occurring.

Management's Response: We recognize that oversight of transactions and review of significant reconciliations, including documentation of the performance of oversight, approval, and review processes, is an important control in detecting and correcting misstatements that could be material to the financial statements. We will review the current procedures and make revisions as needed to ensure that the recommended procedures are taking place and that performance of those procedures is documented.

Finding 2010-3 - Compliance with United Soybean Board (USB) Regulations

Criteria: Proper internal controls over financial reporting and compliance with USB regulations include maintaining contract files and disbursing funds in accordance with guidelines established in the USB's Compliance Manual.

Condition: During the course of our engagement, we reviewed the Council's compliance with USB regulations regarding the existence and content of contract files and their relationship to disbursements made with check-off monies. We noted instances where contracts should have existed but did not, where contracts did not contain all of the information recommended by USB, and where restrictions were not placed on capital purchases and endowments. Further, for some of the disbursements tested, it was not clearly stated how the disbursement benefitted the soybean industry.

Effect: Inadequate internal controls over the Council's compliance with USB regulations could adversely affect the Council's ability to detect and correct misstatements on a timely basis that would be material in relation to the financial statements or would not be in compliance with USB regulations regarding the disbursement of check-off monies.

Cause: Oversight, approval, and review processes are not performed as a part of a formally documented process.

Recommendation: We recommend the Council implement procedures requiring disbursements be supported by documentation that provides a clear linkage between disbursements and their benefit to the soybean industry. In addition, the Council should ensure that it places restrictions on use of funds, capital purchases, and endowments, as applicable. An important step in achieving these objectives is to ensure that contracts exist, are complete, and clearly detail the benefit the project will provide to the soybean industry. Further we recommend that a formal approval and review process of all projects be documented to ensure that adequate support for disbursements exists and that contracts comply with USB regulations.

Management's Response: We recognize that oversight of transactions and compliance with USB regulations is an important control in detecting and correcting misstatements that could be material to the financial statements or could result in noncompliance with USB regulations regarding the disbursement of check-off monies. We have reviewed the USB Compliance Manual and have discussed the Council's compliance requirements with an auditor from the USB. We are currently developing a Project Management System (the System) that will be the design by which we gather information on funding requests. We will use the System to ensure that funding requests meet USB guidelines and that all the required documentation has been obtained prior to the payment of funding requests.

South Dakota Soybean Research & Promotion Council

Schedule of Prior Audit Findings

Year Ended June 30, 2009

Audit findings reported in the financial statements issued June 30, 2009, are as follows:

Finding 2009-1 - Preparation of Financial Statements

Condition: The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council as well as changes in these requirements.

Current Status: The Council has determined that it is not cost-effective for an organization of their size to have an individual on staff to prepare audit-ready financial statements. They have chosen to hire Eide Bailly to prepare their financial statements as part of the annual audit. A member of management has been designated to review the propriety of the draft financial statements and accompanying notes to the financial statements. The finding was repeated at Finding 2010-1 on the accompanying Schedule of Findings and Responses.

Finding 2009-2 – United Soybean Board Remittances

Condition: The calculation of two assessments to be remitted to the United Soybean Board (USB) contained overstatements totaling \$10,893 for the first two quarters of fiscal year 2009.

Recommendation: We recommend that an appropriate member of the Council's staff review the calculations for completeness and accuracy to prevent or detect and correct errors in a timely matter.

Current Status: The recommendation was adopted during in fiscal year 2010. No similar findings were noted during the fiscal year 2010 audit.



Supplementary Information
June 30, 2010

South Dakota Soybean Research & Promotion Council

South Dakota Soybean Research & Promotion Council

Council Officials

June 30, 2010

South Dakota Research and Promotion Council Board

David Iverson, Chairman
Doug Hanson, Vice Chairman
Monica McCranie, Secretary/Treasurer
Merlin Van Walleghen, Director
Stan Hanson, Director
Marc Reiner, Director
Robert Metz, Director

South Dakota Research and Promotion Council Executive Director:

Jeremy Freking

United Soybean Board Directors:

Robert Metz
Stan Hanson
Lewis Bainbridge

Ex Officio – South Dakota Department of Agriculture:

Jon Farris, Secretary